

REPORT OF THE SERVICE DIRECTOR - CUSTOMERS AND HR**LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION
PERFORMANCE REPORT AND DATA QUALITY.****Purpose of the Report**

1. The purpose of this report is to inform the Pension Committee of the continuing work being under taken by the Administration Team to improve data quality, and ensure statutory compliance of the scheme employers.
2. The report also outlines the performance of the Administration Team against the Service Level Agreement outlined in the Administration Strategy.

Information and Advice**Background**

3. One of the of the main areas of focus across the Local Government Pension Scheme has been the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. This matter has been highlighted by The Scheme Advisory Board along with the Local Government Association
4. The Pensions Regulator has been raising concerns relating to data quality and the need for improvement across pension funds. To help manage the improvement of data, In March 2017 Pension Committee approved the Nottinghamshire Pension Fund Administration Strategy, which was implemented in April 2017. This has also been supplemented by the data improvement plan that was presented to Pensions Committee April 2018.
5. The Administration Strategy is designed to provide a framework for the management of scheme employer's responsibilities to ensure that the Administering Authority receives accurate data.
6. Data is important to the Administering Authority for a number of reasons, the main reasons being:
 - a. Members are paid the pensions they are entitled to
 - b. Employers' costs are reliable/correct
 - c. Investment and administration costs are reliable/correct
 - d. Fund valuations reflect true costs/ liabilities of the fund

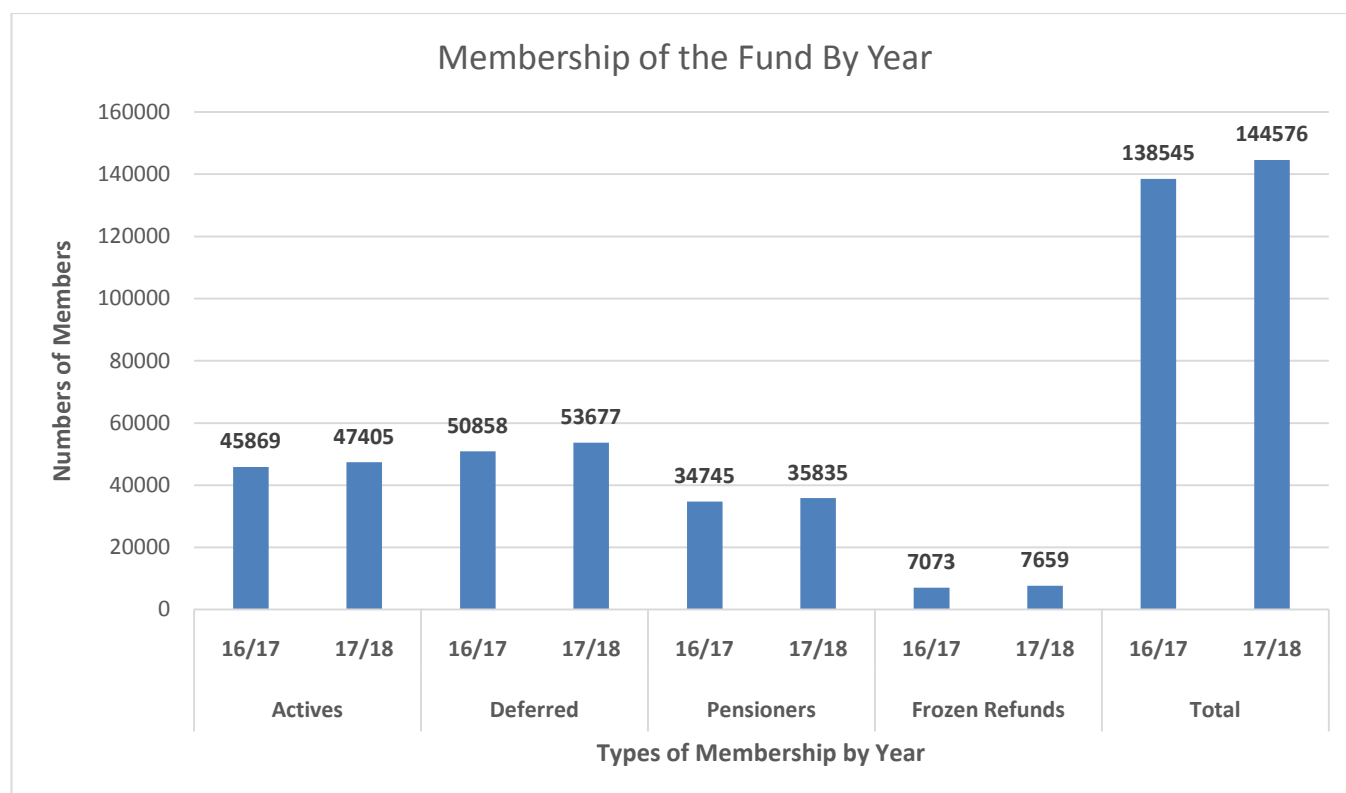
- e. Cost effective administration – fewer queries
 - f. Reduce Internal Dispute Resolution Procedure cases
 - g. Avoid the Pensions Regulator
 - h. Maintains the scheme's reputation
7. Included in the Administration Strategy is a service level agreement, which is designed to enable the monitoring of activities, undertaken by scheme employers and the Administering Authority. A number of service level agreement reports that have been developed by Civica, our pension administration software provider. These reports provide data on a number of pension administration processes, and report performance against the agreed service level. Work is currently underway to develop reports on employer activities.

Pension Fund Membership Statistics

8. At 31 March each year the Administering Authority report a set of figures that identify the number of members within the Fund under certain categories. These figures are used to populate the Fund's annual report. The following table details the membership of the Fund against each category, and sets a context to the size of the Fund.

Employer	Actives		Deferred		Pensioners		*Frozen Refunds		Total	
Year	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018
City	8,196	7,968	11,469	12,137	6,870	7,152	1,473	1,704	28,008	28,961
County	17,061	17,102	22,202	23,441	16,319	16,521	3,920	4,026	59,502	61,090
District	3,146	3,141	4,227	4,301	4,665	4,797	424	445	12,462	12,684
Other	17,466	19,194	12,960	13,798	6,891	7,365	1,256	1,484	38,573	41,841
Totals	45,869	47,405	50,858	53,677	34,745	35,835	7,073	7,659	138,545	144,576

* **Frozen Refunds** – Members have taken a proactive decision to opt out of the LGPS but then have failed to confirm their details to enable the payment to be processed.



9. In addition, it is important to understand the context of the number of employers in the fund as this increases the complexity of managing the collection of data from different employers.
10. From April 2017 to March 2018, the number of active scheme employers has increased to 335. In 2017-2018, the Fund received 25 applications from employers who met the admitted body criteria for admission into the fund, 5 employers withdrew from the scheme, as they no longer have any active members of the scheme, which drives an employer closure.
11. The number of scheme employers is expected to continue to increase as schools convert to academy status, along with reorganisation of academy trusts and the outsourcing of services by existing scheme employers. With the increasing numbers of employers, this provides an ongoing challenge to the Administering Authority to ensure that pension fund and member data is kept up to date.
12. As agreed in a previous report to Committee a list of new scheme employers 2017-2018 is attached in Appendix A. This list is split into compulsory bodies, designating bodies, and transfer admitted bodies. As requested by Committee, the employers have been listed against their administration area. As you will see that vast majority of new employers relate to schools, with a number of applications still to be completed.

Year End and Employer Activities

13. Since moving to Civica UPM, pension administration system in November 2014, the Employer and Compliance Team have been working with employers to improve the

submission of pension data to the fund. This was particularly important in 2015-2016 as this was a valuation year.

14. There is a statutory requirement for participating scheme employers to provide timely and accurate data and in particular to provide accurate year-end data. For the year 2016-2017, participating employers in the scheme were required to provide accurate year-end data by 2 May 2017. Following the processing of the year-end returns, annual benefit statements were issued to active members of the scheme by 31 August 2017 and issued to deferred members by 8 September 2017.
15. The following table provides information on employer submissions of year-end data over the last three year-ends.

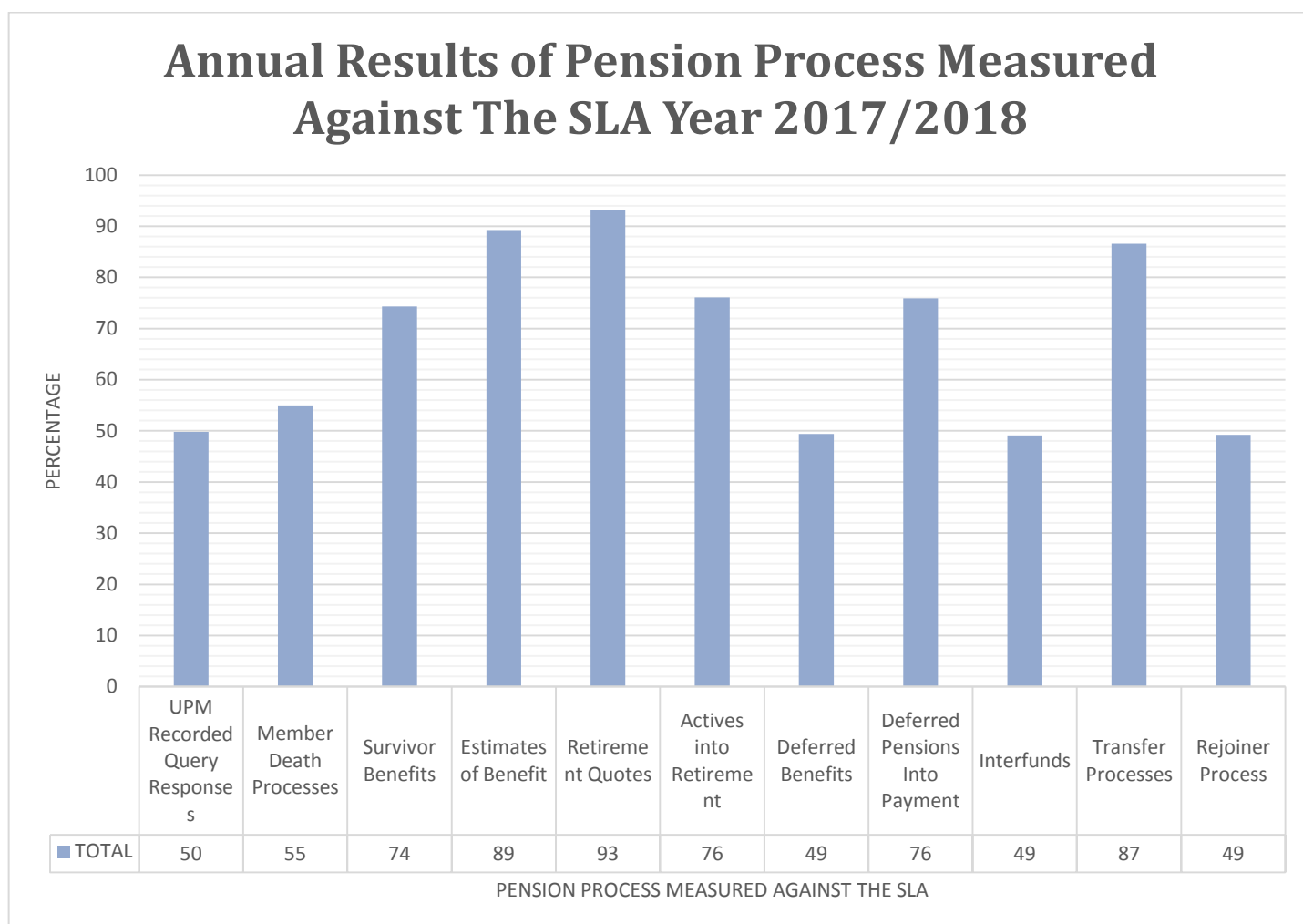
Year End	Number of submissions received by submission date	Accurate submissions received by submission date	Submission date	Number of Employer returns expected	Percentage of expected returns received by the deadline
2014-2015	112	92	31 May 2015	260	43%
2015-2016	162	157	30 April 2016	276	59%
2016-2017	253	166	2 May 2017	310	82%
2017-2018	317	Not available until all balancing complete	14 May 2017	338	93%

16. Work has been undertaken to support employers and to simplify the way data is requested, this have been achieved by reviewing communications and improving the content of the year-end briefings. The briefing delivered in March 2018 targeted new employers to ensure that they understood their responsibilities.
17. The implications of not receiving data from scheme employers can be serious, potentially leading to incorrect pension calculations. The Administering Authority may not be able to issue annual benefit statements to individual members where the scheme employer has failed to provide the required data. This situation would ultimately result in a breach of the statutory regulations and may result in the fund being subject to a fine. Any fines will be passed on to the appropriate non-compliant scheme employers.
18. For year ending 2016-17, 47,382 lines of year-end data that were processed across the fund and approximately 90% of all records provided by scheme employers were accurate, however issues that were identified within the data were returned to individual scheme employers for resolution.
19. Following the completion of employer queries for 2016-2017 year end activity, the Administering Authority issued 35,960 active annual benefit statements by 31 August 2017 and 37,356 deferred annual benefit statements by 8 September 2017. Three employers failed to meet the deadlines which resulted in additional work being undertaken to issue their statements in November breaching the statutory deadline

20. The administration team levied the additional costs incurred due to late data onto the three employers, and a report was sent to the Pension Regulator. The report explained the reasons for the late issue of benefit statements, and what actions were taken by the Administration Authority to ensure that the benefits statements had been issued.
21. The Pension Office will document the additional work and costs associated for all Scheme Employers who fail to meet their responsibilities for the 2017-2018 year end. These Scheme Employers will be charged for the additional work undertaken as laid down in the Administration Strategy.

Performance Data

22. This is the first year in reporting on the Service Level Agreement data to the Pensions Committee since the implementation of the Pensions Administration Strategy from April 2017. To illustrate the performance of the administration team against the SLA the data is summarised in the following graph with a commentary on the main process undertaken by the Administration Team.



Death Processes

23. The process dealing with deaths of active members, pensioners, as well as deferred members is very involved in terms of collecting the correct relevant information at the appropriate time to process payments at what is a difficult time for members and their relatives depending on the circumstances. The main challenge for pensioner and deferred member death is actually being informed of the death, as the notification of deaths is often days or in certain circumstances weeks after the death, which results in an over payment of pension.
24. One of the main priorities is to ensure that survivor benefits are processed as soon as possible, and the performance measure identifies that 74% are paid within 10 days of notification. The overall performance across these processes is an average is 55% within the SLA.
25. The notification of deaths come in clusters as they can be very seasonal and therefore this does have an effect of being able to apply resources at different times of the year. Notification of Deaths comes from a number of sources, these being direct notification to payroll, through the Department of Work and Pensions (DWP) Tell Us Once Service, through the Pensions Website notification process, and telephone calls to the Pensions Office. Once notified, the pension is suspended immediately and the calculation of benefits begins.
26. Once an overpayment is identified, the process is to issue an invoice to the estate and this instigates a debt recovery process against the estate. In 2017-2018, the total amount of invoices raised for overpayment of pensions were £111,046 and £85,030 recovered with a remaining £24,965 being collected through the debt process.
27. In order to try and reduce the number of overpayments further consideration is being given to changing the dates that pension payslips are issued, currently they are issued in March, April, May, and June each year, however consideration is being given to changing one of the dates to later in the year e.g. October.
28. Finally in-service survivor processes, and deferment processes take longer to administer as not all the information is received at the same time or further checks might sometimes be required, and therefore the SLA can be missed. It is therefore proposed that the SLA targets be reviewed to ensure that a more accurate measure can be made.

Transfers

29. The number of transfers tend to fluctuate, in some cases due to financial institutions/ financial advisors in contacting members and persuading members to transfer pension in line with the Pension Freedoms Legislation. However, the overall performance is an average of 86%. Other factors that affect performance have been changes to the transfer factor tables, which the government changed in 2017; this had an impact on the ability to undertake some transfers from April 2017. There was a delay in the confirmation of the transfer factors by DWP, which also delayed the updating of the Pension Administration Software, which in turn led to a delay in processing a number of transfers.

Retirements

30. The overall performance for retirements processes in the first and second quarters the team met the SLA with an overall annual average of 93%. Actives and deferred members put into payment over the year are at 76% within the SLA; whilst there is a continual stream of retirements throughout the year, there are busy times, mainly around the second and fourth quarters due to retirements in schools and Authorities. In order to improve this performance, and especially to provide estimates of benefit a bulk process has been implemented for larger groups of members and this has helped to improve performance for retirement quotes for groups of staff.
31. One of the main priorities within the process which it is not possible to monitor separately at the moment, is once the Administration Team is notified of a leaving date, then the appropriate payments are made at the appropriate payroll date. What tends to hold up retirements in meeting the SLA is incorrectly filled out forms and missing information, for example bank details or incorrect salary details.
32. Work has been undertaken to review the retirement process and it is hoped that this will be applied into the Administration System by June to try to reduce delays further.

Deferred benefits

33. The Administration Team are undertaking the process of notifying leavers of the fund of their deferred benefit within 50% of the SLA. In terms of priority this is the least prioritised activity, however there is a team working on these, and again we have reviewed the process this year.
34. Deferred benefits is the one process where the priority is impacted when there is demand within the office for other more priority work to be completed; an example is that resources are moved to year-end activity in June and July, which has an impact on the completing deferred benefit information to members, there are currently 7,135 deferments outstanding.
35. The increase in deferred benefit activity is due to an increase in leaver notifications at year-end with one employer in 2015-2016 notifying the fund of 3,500 as opposed to informing the pension's team at the time of the individual leaving employment. This situation builds up a backlog of work, which perpetuates the numbers over the years. Discussions are currently being had with our software provider in how this process might be more automated, however this will take some time to develop.
36. In addition there have been recent changes to the regulations (April 2018) which are applied from 17 May 2018 allowing those deferred members with pre 2014 service to access their deferred benefits with actuarial reduction at the age of 55. It is envisaged that there will be a lot of interest in this change of regulations, resulting in increased requests for estimates, and release of benefits.

Other Options Considered

37. A data improvement plan has been developed and the administration team will be working towards data improvement in line with the Pension Regulator requirements. Information on data improvement will be included in the Pension Scheme Return, which is normally completed in September.

38. Work will continue on the development of the SLA reports, with a further development on reports that will focus on scheme employer's performance. A request has been made to the software provider to advise on how this might be implemented
39. It is hoped that the implementation of an employer portal will also improve the transfer of data from employers to the Administration Team. Security testing is due to start following some changes that are required. Once this testing has been completed, a planned roll out will be offered to a number of selected scheme employers.

Reason/s for Recommendation/s

40. This report has been compiled to seek Pension Committee approval of the activities being undertaken by the administration team to improve the performance of employers, and the administration of the fund.

Statutory and Policy Implications

41. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

42. The performance of the administration of the pension fund is being delivered within the existing resources.

RECOMMENDATION/S

It is recommended:

1. That the Pension Committee consider the performance of the administration of the pension fund, and the continued development of systems and processes that will improve the service to members of the fund.
2. That the Pension Committee continue to support the recharging of non-compliant Scheme Employers for the additional work incurred by the Pension Office, as laid down in the Administration Strategy.

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For any enquiries about this report please contact:

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Constitutional Comments (KK 14/05/2018)

43. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (KRP 14/05/2018)

44. There are no direct financial implications relating to this report.

HR Comments

45. Not applicable

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All